BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR

Using securities based lending to fund business growth

Invest in your business without disrupting your investments.

As a business owner, you're always exploring how best to run, manage and grow your organization. But that doesn't mean you have to liquidate your personal assets to finance your business needs.

Securities based lending allows investors to use their portfolio as collateral to secure a loan. For business owners, this offers access to liquidity without having to sell investments, which is particularly advantageous in avoiding disruption to your long-term investment strategy.

SECURITIES BASED LINES OF CREDIT (SBLs) OFFER FLEXIBILITY IN MORE WAYS THAN ONE

SBLs are a flexible alternative to traditional financing, offering quick access to capital which may be crucial for taking advantage of timely business opportunities or protecting your company from unexpected expenses. An SBL can be used for a variety of business liquidity needs, including:

- Accessing more working capital
- Replacing an existing business line of credit at a higher rate
- Purchasing or constructing a commercial property
- Hiring and training new staff
- Increasing inventory
- Expanding product lines to diversify offerings
- Purchasing equipment or technology upgrades
- Investing in R&D and innovation
- Investing in or acquiring a new business
- Buying out a business partner
- Paying a large tax bill
- For unexpected expenses

WHY FUEL BUSINESS GROWTH WITH AN SBL?

Structures, fees and set-up times vary between individual situations and lenders, but most SBLs combine the benefits of competitive interest rates, flexible borrowing structures and the ability for businesses to access liquidity quickly. In addition, SBLs offer:

FAST ACCESS TO FUNDS

Acquiring approval for SBL loans is typically quicker and requires less documentation than many traditional financing options. A streamlined underwriting and application process means you can get cash when you need it – typically within a matter of days.

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Using securities based lending to fund business growth (cont.)

NO FEES AND LOW RATES

SBLs don't have upfront set-up fees, maintenance charges or closing and cancellation costs. They also typically offer business owners lower interest rates compared to personal loans or credit cards.

FLEXIBLE REPAYMENT OPTIONS

Another benefit is the high degree of flexibility SBL loans offer in their repayment terms. From early repayment options and having no fixed repayment schedules, to adjustable loan amounts and interest-only payments, SBLs are a versatile alternative to traditional financing.

HOW SBLs WORK

Initiating an SBL application involves providing details about your investment portfolio (which will act as collateral to secure the loan). The lender determines the value of your securities, which in turn helps identify the loan amount you can access. Securities pledged can be either personal or business assets.

Depending on the types of securities and their volatility, the loan amount offered is typically presented as a percentage of your portfolio's value – often between 50% and 90%.

Lenders will continuously monitor the value of your securities throughout the repayment period. Once the loan is repaid in full, your securities will be released back to you.

THE POTENTIAL RISKS

Like any financial instrument, securities-based lending comes with potential risks. These risks may include:

CONSTRAINTS OVER CONTROL OF SECURITIES

Since securities are used as collateral, they can only be sold in the open market once the loan is fully repaid. This limitation can restrict borrowers in their ability to react quickly to market changes.

HIGH CONCENTRATION, LOW DIVERSIFICATION

If diversification isn't properly considered, and the collateral is instead concentrated in a small selection of securities, the borrower faces greater risk tied to the performance of those particular assets.

MARKET VOLATILITY

The value of securities used as collateral can fluctuate as a result of market conditions. If the value of securities drops significantly (for example, below 50% of the closing day loan value), this may trigger a market call, potentially forcing the borrower to provide additional collateral to avoid securities being sold to cover the loan.

BUSINESS CREDIT CONSEQUENCES

Taking out a loan can impact a business's credit score. Applying for a loan requires lenders to perform a hard inquiry on the borrower's credit report. Missing payments or defaulting on a loan can also damage a business' credit score, potentially making it harder for borrowers to secure financing in the future.

FINDING THE RIGHT USE FOR YOUR BUSINESS

Leveraging loans isn't the right move for every business owner. Just because SBLs are often fast and inexpensive to acquire doesn't imply you need them.

A valuable place to start is by evaluating the problem you're trying to solve or the opportunity you're trying to pursue. After that, explore your options to identify whether you can inject cash into your business in way that offers more benefits in the long term than SBLs.

To determine if SBLs are suitable for your business, it's important to carefully assess the terms, risks and potential impact on your business' financial picture. If you need liquidity and flexibility while maintaining ownership of your investment portfolio, an SBL could be a valuable tool to consider. ■

A line of credit backed by securities, such as a securities based line of credit or a structured line of credit, may not be suitable for all clients. Borrowing on securities based lending products and using securities as collateral may involve a high degree of risk including unintended tax consequences and the possible need to sell your holdings, which may lead to a significant impact on long-term investment goals. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to quickly deposit additional securities and/or cash in the account(s) or pay down the loan to avoid liquidation. The securities in the pledged account(s) may be sold to meet the collateral call, and the firm may sell the client's securities without contacting them. A client may not be entitled to choose which securities or other assets in his or her account are liquidated or sold to meet a collateral call. In many cases, the firm may increase its maintenance requirements at any time and is not required to provide a client advance written notice. A client may not be entitled to an extension of time on a collateral call. Increased market interest rates could also affect the applicable rate index that applies to your line of credit causing the cost of the credit line to increase significantly. The interest rates charged are determined in part by (i) the market value of pledged assets and the net value of the client's non-pledged Capital Access account or (ii) the line of credit amount as outlined in the Loan Agreement. Lines of credit are provided by Raymond James Bank. Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are affiliated with Raymond James Bank, member FDIC. | The proceeds from a line of credit backed by securities cannot be (a) used to purchase or carry securities; (b) deposited into a Raymond James investment or trust account (with the exception of advances made into the pledged account solely for the purpose of sending out or effecting an international wire within 1 business day of receiving funds from the bank); (c) used to purchase any product issued or brokered through an affiliate of Raymond James, including insurance; or (d) otherwise used for the benefit of, or transferred to, an affiliate of Raymond James. Raymond James Bank does not accept RJF stock or any securities issued by affiliates of Raymond James Financial as pledged securities towards a line of credit. | Lending solutions are offered through Raymond James Bank, an affiliate of Raymond James & Associates, Inc., and Raymond James Financial Services, Inc. Raymond James & Associates, Inc., Raymond James Financial Services, Inc., and your Raymond James Financial Advisor do not solicit or offer residential mortgage products and are unable to accept any residential mortgage loan applications or to offer or negotiate terms of any such loan. You will be put into contact with a Raymond James Bank employee for your residential mortgage needs.

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How corporate executives are leveraging AI

From innovation and competitiveness to streamlining productivity.

AI technologies promise a range of valuable use cases for companies, but many are still seeking ways to realize its full potential.

With increased accuracy and automation, AI can help reduce risk and cut costs; helping drive both profitability for organizations and value to end clients. But, somewhat in contrast to that, Forbes Advisor reported that 43% of business leaders are concerned about becoming too reliant on AI.

The hype and potential risks surrounding AI may be making some corporate executives wary, but the benefits continue to drive interest in investing in and implementing AI technologies.

CORPORATE AI USE CASES

In the long run, investing in organization-wide AI literacy and having the resources to execute is crucial for the successful development and deployment of AI technologies. Cross-departmental AI use cases include:

BASIC USE CASES

Data analysis: AI can crawl large datasets to help uncover trends and insights to help inform decision making.

Content creation: From drafting outlines to checking content accuracy, AI can help generate materials for marketing, social media and internal communications.

Workforce optimization: To help improve productivity, AI can analyze employee performance and engagement data to highlight patterns and areas for improvement for managers.

MORE ADVANCED USE CASES

Ideation: AI can act as a brainstorming tool with the ability to help speed up creative and decision making processes, helping to refine ideas and foster collaboration among teams.

Chatbots: AI-powered chatbots can help handle customer inquiries and provide personalized, around-the-clock recommendations to improve customer satisfaction.

Cybersecurity and fraud prevention: AI systems can detect threats and respond in real-time to protect sensitive organizational data.

A SUPPLEMENT, NOT A REPLACEMENT

Research from Harvard Business Review shows that in areas where AI technology lowers the cost of certain tasks by automating them, the value of the work that employees contribute to the remaining tasks increases. That's because those remaining tasks demand intellectual skill or nuanced insight – an area where AI still lags behind human capabilities.

Pew Research Center found that 19% of American workers are in jobs exposed to AI, which they defined as having fundamental job-specific tasks that may be fully replaced or at least assisted by AI.

What remains unclear is whether AI exposure will lead to job losses. For now, AI continues to predominantly mimic cognitive functions and automate repetitive or predictive tasks.

As tasks that require exclusively human qualities rise in value, executives are turning their focus to skills that require judgement, creativity and human-to-human relationships.

TACTICAL STEPS FOR EXECUTIVES

Corporate executives can prepare to leverage AI by leading a clear vision for AI adoption and by starting with pilot projects to identify feasible use cases.

Not all AI solutions are easy to scale or integrate into existing systems. Strategically align AI applications with your organizational objectives to pursue your business goals and establish your organization as a competitive and productive leader in the digital space. ■

Sources: forbes.com; link.springer.com; asaecenter.org; hbr.org; pewresearch.org

Why 15 minutes of mentorship has game-changing potential

75% of executives say mentoring has been critical to their career development.

Mentoring, even with a small-time investment, offers significant rewards for both mentors and mentees alike.

Imagine that someone with great potential and ambition approaches you, asking you to be their mentor. Despite concerns about your busy schedule, is it worth it and should you agree?

Research indicates that mentoring benefits both parties. Nine out of 10 workers with a mentor feel satisfied with their job, and mentors too report experiencing a greater sense of purpose in their professional lives.

EVEN A QUICK CONVERSATION CAN MAKE ALL THE DIFFERENCE

When it comes to mentoring, just 15 minutes a week can be beneficial. In a short amount of time, you still have an opportunity to provide a mentee with focused guidance on a specific issue or challenge – giving them clarity and direction.

That, and sometimes a quick conversation over a cup of coffee can boost a mentee's confidence and motivation or offer a fresh perspective that leads to new opportunities. To build momentum:

- Identify a time and the best way to communicate for all parties
- Establish clear expectations about confidentiality
- Talk with your mentee about future goals
- Share anecdotes about your career
- Offer tips for navigating the workplace
- Invite your mentee to sit in on meetings you're conducting
- Connect your mentee with others in the field

CONSIDER THE BENEFITS OF BEING A MENTOR

Still wavering? It's worth noting that effective mentorship is mutually beneficial and can help to:

DEVELOP NEW SKILLS

You can stay updated with business and technology trends, enhance your own skills and gain exposure to innovative ideas and other ways of thinking. Mentoring also encourages active listening, ensuring that talented employees feel heard and appreciated.

EXPAND PROFESSIONAL NETWORKS

While you open doors for your mentee, they can also introduce you to new opportunities and connections.

BUILD A SENSE OF EMPOWERMENT

Sharing your knowledge and seeing others value your advice can boost your confidence and remind you of your experience and professional knowledge.

BE A PART OF TOMORROW

Working with smart, motivated individuals is rewarding. By mentoring, you can play an active role in cultivating future leaders and nurturing your organization's top talent. Providing mentees with guidance, feedback and support helps foster trust and mutual respect at various levels of the organization – in turn, promoting a positive culture.

Mentoring is a two-way street, and an exchange of knowledge and skills can be incredibly enriching for both parties involved. By volunteering your time and experience, you can make a difference in someone's career – and boost your own in the process. ■

Sources: shrm.org; cnbc.com